



Law Society
of Scotland

Consultation Response

Climate and investment reporting: setting expectations and empowering savers

December 2021



Introduction

The Law Society of Scotland is the professional body for over 12,000 Scottish solicitors.

We are a regulator that sets and enforces standards for the solicitor profession which helps people in need and supports business in Scotland, the UK and overseas. We support solicitors and drive change to ensure Scotland has a strong, successful and diverse legal profession. We represent our members and wider society when speaking out on human rights and the rule of law. We also seek to influence changes to legislation and the operation of our justice system as part of our work towards a fairer and more just society.

Banking, Company and Insolvency law sub-committee welcomes the opportunity to consider and respond to the Department for Work and Pensions' consultation: *Climate and investment reporting: setting expectations and empowering savers*¹. The sub-committee has the following comments to put forward for consideration.

Response

Q1. We propose to amend the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 to require trustees of schemes in scope to measure and report their scheme's Paris-alignment by adding a requirement for them to select and calculate a portfolio alignment metric and to report on that metric in their TCFD report.

Do you agree with this policy proposal?

Yes. The flexibility allowed in selecting the metric most applicable to the scheme concerned means that the trustees will not be forced into making short-term decisions to the detriment of scheme members to meet an "artificial" target.

Q2. Do you agree with these policy proposals?

Yes. The "in scope" and "out of scope" parameters should be the same for reporting on all metrics.

Q3. We propose to incorporate the requirements to measure and report a portfolio-

¹ <https://www.gov.uk/government/consultations/climate-and-investment-reporting-setting-expectations-and-empowering-savers>

alignment metric into the existing Climate Change Governance and Reporting Regulations so that the requirements are subject to the same disclosure and enforcement provisions as the other metrics requirements.

Do you agree with this policy proposal?

Yes. Consistency of application is essential for transparency and accountability.

Q4. (a) Do you have any comments on the draft amendments to the Regulations?

(b) Do you have any comments on the draft amendments to the Statutory Guidance?

Please include in your answer any comments you have on whether you consider that they meet the policy intent stated in this chapter. We particularly welcome comments on the definition of “portfolio alignment metric” and whether respondents think it reflects the policy intent?

No comment.

Q5. Do you have any comments on the new regulatory burdens to business and benefits of requiring schemes to measure and report their Paris alignment?

No comment.

Q6. Do you have

- a. any comments on the impact of our proposals on protected groups and/or how any negative effects may be mitigated?**
- b. any evidence on existing provision made by trustees in response to requests for information in alternative accessible formats.**
- c. any other comments about any of our proposals?**

No comment.

Q7. Should DWP include a vote reporting template in its implementation statement guidance which trustees are expected to use? If so, should such a template be based on the PLSA’s vote reporting template? What changes, if any, would be

needed to the PLSA template if it were to be adopted?

What are your views on the adoption of an engagement reporting template? Should it be separate from any vote reporting template or integrated with it, so that – in relation to equities – both voting and engagement activities are described for the same set of assets?

This is a question pension industry bodies will be better placed to answer. Generally, prescriptive templates add certainty but create restrictions and may add incremental costs for schemes. Direction from DWP (rather than a prescribed form) on what must be included will offer the same outcome but allow more flexibility is generally to be preferred.

Q8. Do you have any comments on our cross-cutting proposals for the Guidance on Statements of Investment Principles and Implementation Statements, in particular that:

- (a) they are written for members?**
- (b) the Guidance reiterates that these are trustees' statements, not their consultants'?**
- (c) Implementation Statements should set out how the approach taken was in savers' interests?**
- (d) trustees should be able to include material from voluntary disclosures, such as Stewardship Code reporting, as long as they meet the requirements in the Regulations?**

No.

Q9. (a) Do you have any comments on our proposed Guidance on stewardship policies?

(b) Do you have any comments on our proposed Guidance on most significant votes?

No.

Questions 10-15

We have no comments.



For further information, please contact:

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